

Message Text

PAGE 01 NATO 03818 01 OF 04 141952Z

72

ACTION EUR-25

INFO OCT-01 ADP-00 SS-15 H-03 EB-11 CIAE-00 PM-07 INR-10

L-03 NEA-10 NSAE-00 PA-03 RSC-01 PRS-01 USIA-15

TRSE-00 MBFR-03 SAJ-01 NSC-10 ACDA-19 OMB-01 RSR-01

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C O N F I D E N T I A L SECTION 1 OF 4 USNATO 3818

E.O. 11652: GDS, 31-12-79

TAGS: MCAP, NATO

SUBJECT: PROPOSED STATEMENT ON BURDENSARING

REF: USNATO 3817

POLICY

THIS MESSAGE CONTAINS A DRAFT STATEMENT ON BURDENSARING WHICH I SUGGEST BE USED FOR PRESENTATION TO THE NAC ON 20 AUGUST. REQUEST WASHINGTON REVIEW, COMMENT AND APPROVAL. PREFERABLY, THE RESULTING STATEMENT OUGHT NOT TO INCLUDE CLASSIFIED MATERIAL SO THAT PORTIONS COULD BE USED AS DESIRED WITH THE PRESS AND CONGRESS. DRAFT TEXT FOLLOWS. BEGIN QUOTE:

A STATEMENT ON BURDENSARING

BACKGROUND

THE CONCEPT OF BURDENSARING -- OF EQUITABLE APPORTIONMENT OF THE COSTS OF DETERRENCE AND DEFENSE -- HAS BEEN FUNDAMENTAL IN THE NATO RELATIONSHIP FROM THE BEGINNING. THE PLEDGE THAT EACH MEMBER OF THE ALLIANCE WILL HAVE THE ASSISTANCE OF ALL CONFIDENTIAL

PAGE 02 NATO 03818 01 OF 04 141952Z

OTHER MEMBERS IN THE EVENT OF ATTACK IMPOSES ON EACH ALLY THE RESPONSIBILITY FOR PROVIDING ITS FAIR SHARE OF THE COLLECTIVE DEFENSE.

IN ARTICLE 3 OF THE NORTH ATLANTIC TREATY, EACH SIGNATORY PLEDGED "CONTINUOUS AND EFFECTIVE SELF-HELP AND MUTUAL AID" TO DEVELOP AN INDIVIDUAL AND COLLECTIVE CAPACITY TO RESIST ARMED ATTACK. THE BURDEN IMPOSED ON EACH MEMBER OF THE ALLIANCE, ALTHOUGH A HEAVY ONE, IS FAR LESS THAN EACH WOULD BE FORCED TO ASSUME IF IT SOUGHT TO PROVIDE FOR ITS DEFENSE INDEPENDENTLY ON A NATIONAL BASIS WITHOUT THE HELP OF ALLIES. WHAT IS MORE, AS THE FIRST SACEUR, GENERAL EISENHOWER ONCE REMARKED, THE NATO COLLECTIVE SECURITY SYSTEM PROVIDES A BONUS: FOR THE WHOLE DEFENSE STRUCTURE, THIS PEACE-KEEPING MECHANISM IS MORE EFFECTIVE THAN THE SUM OF ITS PARTS.

THE PRINCIPLE OF EQUITABLE BURDENSARING HAS BEEN GIVEN RECOGNITION IN THE COMMITMENTS OF FORCES TO SACEUR AND SACLANC BY THE NATIONS OF THE ALLIANCE AND IN THEIR JOINT FUNDING OF THE COSTS OF MANY OF THE ALLIANCE'S INSTALLATIONS AND FUNCTIONS.

AS CONDITIONS CHANGE, EQUITY REQUIRES A READJUSTMENT OF THE BURDENS OF THE ALLIANCE. IN 1949, WHEN THE ALLIANCE WAS FORMED, WESTERN EUROPE WAS STILL IN THE PROCESS OF RECOVERY FROM THE SEVERE HUMAN AND ECONOMIC LOSSES OF THE SECOND WORLD WAR.

TODAY, IN CONTRAST WITH THE SITUATION WHEN THE ALLIANCE WAS FORMED, AND IN PART BECAUSE OF THE SECURITY PROVIDED BY THE ALLIANCE, EUROPEAN NATIONS HAVE BUILT THRIVING ECONOMIES AND, ENJOY UNPARALLELED PROSPERITY.

IT IS A REMARKABLE SUCCESS STORY. THE AGGREGATE GNP OF OUR NATO ALLIES IS NOW NEARLY EIGHT TIMES WHAT IT WAS IN 1950. DURING THE SAME PERIOD, THE GNP OF THE UNITED STATES HAS INCREASED 4.5 TIMES.

IN 1950, TWO THIRDS OF THE COLLECTIVE GNP OF THE NATO NATIONS WAS ATTRIBUTABLE TO THE UNITED STATES. IN 1973, THE GNP OF OUR NATO ALLIES WILL NEARLY EQUAL THAT OF THE UNITED STATES AND WILL ALMOST CERTAINLY EXCEED IT IN 1974. DESPITE THIS DRAMATIC SHIFT
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PAGE 03 NATO 03818 01 OF 04 141952Z

IN THE RELATIVE ECONOMIC STRENGTH OF THE MEMBERS OF THE ALLIANCE, THE U.S. HAS CONSISTENTLY SPENT CONSIDERABLY MORE FOR DEFENSE THAN HAVE THE OTHER ALLIES COMBINED.

SIMILARLY, THE U.S. BALANCE OF PAYMENTS SURPLUS OF THE POST-WAR ERA IS NOW BUT A DISTANT MEMORY. EVERY YEAR SINCE 1950 EXCEPT ONE, THE U.S. HAS EXPERIENCED A DEFICIT IN THE BASIC BALANCE, I.E., THE BALANCE ON CURRENT ACCOUNT AND LONG-TERM CAPITAL MOVEMENTS. THAT BASIC DEFICIT IN CALENDAR YEAR 1972 WAS \$9.2 BILLION, FAR GREATER THAN THAT OF ANY NATO ALLY. IN CALENDAR YEAR 1971, THE BASIC BALANCE OF PAYMENTS OF THE ALLIANCE, EXCLUDING THE UNITED STATES, WAS OVERWHELMINGLY IN SURPLUS, AND ALTHOUGH FIGURES FOR CALENDAR YEAR 1972 ARE NOT

AVAILABLE FOR ALL MEMBER NATIONS, IT IS CLEAR THAT ANOTHER LARGE SURPLUS WAS RECORDED LAST YEAR. OF THE BASIC DEFICIT, THE MILITARY BALANCE OF PAYMENTS DEFICIT OF THE UNITED STATES WITH NATO EUROPE -- AMOUNTING TO \$1.5 BILLION IN FY 1972 -- MADE UP 15 PERCENT OF THE TOTAL. RELATIVELY HIGH MILITARY EXPENDITURES MAY ALSO CONTRIBUTE IN ANOTHER WAY TO THE BASIC DEFICIT, FOR A HIGH PERCENTAGE OF GNP DEVOTED TO DEFENSE LEAVES RELATIVELY LESS OF GNP AVAILABLE FOR INVESTMENT IN NEW PLANT AND EQUIPMENT.

IN RESPONSE TO ECONOMIC AND OTHER CHANGES, THE MEMBER NATIONS HAVE, IT IS TRUE, RECOGNIZED THE NEED FOR SHIFTS IN THE ALLOTMENT OF THE BURDENS WITHIN THE ALLIANCE AND HAVE FROM TIME TO TIME TAKEN ACTION WHICH HAS RESULTED IN REALLOCATION OF THEM.

THE METHOD BY WHICH THE MAJOR PART OF THE REALLOCATION OF BURDENS HAS BEEN ACHIEVED IS BY CHANGES IN NATIONAL DEFENSE BUDGETS. IN 1953, THE DEFENSE EXPENDITURE OF THE U.S. CONSTITUTED 77 PERCENT OF THE AGGREGATE DEFENSE SPENDING OF THE NATO ALLIES. IN 1963, THE U.S. CONTRIBUTION WAS 72 PERCENT OF COLLECTIVE TOTAL DEFENSE EXPENDITURE. IN 1973, U.S. DEFENSE EXPENDITURE, THOUGH CONSIDERABLY ABOVE THE LEVEL OF 20 YEARS OR 10 YEARS AGO, HAS SHRUNK IN RELATIVE TERMS TO 66 PERCENT OF THE AGGREGATE TOTAL FOR THE ALLIANCE MEMBERS.

CONFIDENTIAL

PAGE 01 NATO 03818 02 OF 04 141942Z

72

ACTION EUR-25

INFO OCT-01 ADP-00 SS-15 H-03 EB-11 CIAE-00 PM-07 INR-10

L-03 NEA-10 NSAE-00 PA-03 RSC-01 PRS-01 USIA-15

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C O N F I D E N T I A L SECTION 2 OF 4 USNATO 3818

POLICY

REF: USNATO 3817

FURTHERMORE, NATO HAS ACTED COLLECTIVELY IN REDUCING THE U.S. COST SHARE OF NATO INFRASTRUCTURE PROGRAM FROM ALMOST

44 PERCENT IN THE EARLY 1950'S TO THE CURRENT 29.67 PERCENT. BEYOND THIS, THE EUROGROUP NATIONS HAVE ACHIEVED A FURTHER REDUCTION OF THE U.S. COST SHARE OF THE PROGRAM BY CONTRIBUTING SOME \$450 MILLION DURING THE PERIOD 1971-1975 FOR THE CONSTRUCTION OF AIRCRAFT SHELTERS, A PROJECT WHICH HAS CONSIDERABLE U.S. IMPORT. THE FRASTRUCTURE PROGRAM PROVIDES FOR CONSTRUCTION, PREDOMINANTLY IN EUROPE, OF MILITARY FACILITIES, THE TITLE OF WHICH RESIDES IN THE EUROPEAN HOST NATIONS. IT IS THE LARGEST OF THE COMMONLY FUNDED NATO PROGRAMS.

FINALLY, SIGNIFICANT PROGRESS TOWARD MORE EQUITABLE BURDENS HAVING BEEN MADE WITH THE CONCLUSION OF A SERIES OF BILATERAL OFFSET AGREEMENTS BETWEEN THE U.S. AND THE FRG BEGINNING IN THE EARLY 1960'S. THE LATEST AGREEMENT, COVERING FY 1972 AND 1973, PROVIDED OVER THIS TWO-YEAR PERIOD \$185 MILLION OF BUDGETARY SUPPORT FOR IMPROVEMENT OF BARRACKS
CONFIDENTIAL

PAGE 02 NATO 03818 02 OF 04 141942Z

OF AMERICAN FORCES IN GERMANY, AS WELL AS APPROXIMATELY \$1.8 BILLION, WHICH HELPED TO OFFSET IN PART THE CONTINUING BALANCE OF PAYMENTS DEFICIT ON MILITARY ACCOUNT THAT ACCRUES TO THE U.S. AS A RESULT OF STATIONING FORCES ABROAD.

WITHOUT OFFSETS, THERE WOULD BE A NET WINDFALL BALANCE OF PAYMENTS GAIN TO THE COUNTRY IN WHICH U.S. TROOPS ARE STATIONED, RESULTING ENTIRELY FROM THAT COUNTRY'S STRATEGIC LOCATION. IN MY VIEW, THE SENDING NATIONS SHOULD NOT SUFFER NOR SHOULD THE RECEIVING NATIONS BENEFIT FROM AN ENTERPRISE THAT IS UNDERTAKEN FOR THE COMMON DEFENSE.

1970: A LANDMARK YEAR IN BURDENS HAVING

IN THE SECOND HALF OF THE 1960'S, PROGRESS IN STRENGTHENING ALLIANCE DEFENSE AND IN EQUITABLY SHARING BURDENS BEGAN TO FALTER. THE EUROPEAN MEMBERS OF THE ALLIANCE AND CANADA COLLECTIVELY FAILED TO INCREASE DEFENSE SPENDING ENOUGH TO KEEP UP WITH INFLATION. THE U.S., THOUGH SUBSTANTIALLY INCREASING ITS DEFENSE EXPENDITURE, DID SO BECAUSE OF ITS INVOLVEMENT IN WAR IN SOUTHEAST ASIA.

IN 1970, NATO'S ENERGY WAS RENEWED IN A SERIES OF INITIATIVES WHICH INVOLVED IMPORTANT PROGRESS TOWARD READJUSTMENT OF THE BURDENS OF THE ALLIANCE. IN THE SUMMER AND FALL, NATO UNDERTOOK A STUDY OF ALLIANCE DEFENSE PROBLEMS OF THE SEVENTIES (AD-70) WHICH REVEALED A NUMBER OF AREAS REQUIRING

IMPROVEMENT IN NATO'S DEFENSE FORCES. AS A RESULT, A COMPREHENSIVE PROGRAM TO REMEDY WEAKNESSES IN THE CONVENTIONAL FORCES OF THE ALLIANCE WAS LAUNCHED IN DECEMBER 1970. AT THE SAME TIME, THE PRESIDENT ANNOUNCED THAT GIVEN A SIMILAR APPROACH BY THE ALLIES, THE UNITED STATES WOULD MAINTAIN AND IMPROVE

ITS FORCES IN EUROPE AND NOT REDUCE THEM UNLESS THERE WERE
RECIPROCAL FORCE REDUCTIONS BY THE WARSAW PACT. THE EUROGROUP
ALSO CAME FORWARD WITH THE EUROPEAN DEFENSE IMPROVEMENT PROGRAM
(EDIP) IN DECEMBER OF THAT YEAR. IN THE MEANTIME, THE FRG
CONTINUED ITS PARTIAL NEUTRALIZATION OF THE BALANCE OF PAYMENTS
PROBLEM THROUGH ITS OFFSET PROGRAM WITH THE U.S. U.S. FORCES
IN EUROPE WHOSE COMBAT CAPABILITIES HAD FALLEN DURING THE
BUILD-UP IN VIETNAM NOW BEGAN TO IMPROVE AS THE VIETNAMIZATION
CONFIDENTIAL

PAGE 03 NATO 03818 02 OF 04 141942Z

PROGRAM PROCEEDED.

BURDENSARING: THE CURRENT SITUATION

CURRENTLY, IN CY 1973, ESTIMATED U.S. DEFENSE EXPENDITURE
EQUALS 66 PERCENT OF ESTIMATED AGGREGATE DEFENSE EXPENDITURE
OF NATO ALTHOUGH GNP OF THE UNITED STATES IS ABOUT 53 PERCENT
OF THE AGGREGATE GNP OF NATO NATIONS. ONLY ONE NATO NATION
(PORTUGAL) DEVOTES A HIGHER PERCENTAGE OF GNP TO DEFENSE.
COLLECTIVELY, ACCORDING TO NATO ESTIMATES FOR CALENDAR YEAR 1973,
EUROPEAN NATO NATIONS ARE SPENDING 4.1 PERCENT OF GNP FOR
DEFENSE, WHEREAS U.S. IS SPENDING 6.8 PERCENT.

PER CAPITA GNP IN THE U.S. IS TWICE THAT OF THE EUROPEAN
NATO NATIONS COLLECTIVELY. BUT PER CAPITA DEFENSE EXPENDITURE
IN THE U.S. IS THREE TIMES THAT OF THE EUROPEAN MEMBERS OF THE
ALLIANCE.

WHEN I POINT OUT SUCH FACTS, I DO NOT MEAN TO DENY THAT MOST
OF THE EUROPEAN NATO NATIONS BEAR A SUBSTANTIAL BURDEN
OF DEFENSE EXPENDITURE. AS I HAVE REMARKED, THEY HAVE
INCREASED THEIR SHARE OF THE COMMON BURDEN, NOTABLY SINCE 1970.
IT IS PROBABLY TRUE THAT MANY AMERICANS ARE NOT FULLY AWARE OF
THE IMPROVEMENT IN THE EUROPEAN CONTRIBUTION TO THE ALLIANCE.

AND THERE ARE OTHER FACTS WHICH SHOULD BE TAKEN INTO ACCOUNT
IN A DISCUSSION OF BURDENSARING. FOR EXAMPLE, U.S. MILITARY
MANPOWER IN ALLIED COMMAND EUROPE CONSTITUTES LESS THAN 10
PERCENT OF THE TOTAL ACTIVE FORCES OF NATO NATIONS IN THAT
AREA. SINCE 1961, THE U.S. PROPORTION HAS DECLINED FROM 14.4
PERCENT TO 10 PERCENT OF THE TOTAL NATO MILITARY MANPOWER
LOCATED IN EUROPE (EXCLUDING FRANCE). IN THE ACE CENTRAL
REGION, HOWEVER, THE U.S. CONTRIBUTES 28 PERCENT OF TOTAL NATO
GROUND FORCES.

AGAIN, IF ONE COUNTS ALLIED NAVAL VESSELS AND AIRCRAFT IN
EUROPE, BY FAR THE GREATER PART IS FURNISHED BY THE EUROPEAN
MEMBERS OF THE ALLIANCE. THIS METHOD OF ACCOUNTING IGNORES
QUALITATIVE FACTORS AND DIFFERENCES IN COMBAT CAPABILITY
AS WELL. NO NAVAL COMMANDER WOULD REGARD A MINESWEEPER AS
THE EQUAL OF AN AIRCRAFT CARRIER OR A NUCLEAR SUBMARINE.
CONFIDENTIAL

PAGE 04 NATO 03818 02 OF 04 141942Z

CONFIDENTIAL

PAGE 01 NATO 03818 03 OF 04 142003Z

72

ACTION EUR-25

INFO OCT-01 ADP-00 SS-15 H-03 EB-11 CIAE-00 PM-07 INR-10

L-03 NEA-10 NSAE-00 PA-03 RSC-01 PRS-01 USIA-15

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C O N F I D E N T I A L SECTION 3 OF 4 USNATO 3818

POLICY

REF: USNATO 3817

FINALLY, THE FIGURE WHICH THE U.S. DEFENSE DEPARTMENT HAS GIVEN AS THE CURRENT ANNUAL COST OF OUR CONVENTIONAL FORCES COMMITTED TO NATO IS \$17 BILLION#. TO THE EUROPEAN ALLIES WHO ARE SPENDING AN ESTIMATED AGGREGATE \$36 BILLION FOR DEFENSE IN CALENDAR YEAR 1972, THESE FIGURES ARE OFTEN INTERPRETED AS INDICATING THAT NATO EUROPE SPENDS TWICE AS MUCH AS THE U.S. FOR THE DEFENSE OF EUROPE, AND THAT, MANY WOULD SAY, REPRESENTS EQUITABLE BURDENSARING.

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THIS FIGURE INCLUDES:

ALL THE U.S. GENERAL PURPOSE FORCES AND RELATED SUPPORT ELEMENTS AND HEADQUARTERS IN EUROPE.

SOME OF THE U.S. GENERAL PURPOSE FORCES (BOTH ACTIVE AND RESERVE) THAT ARE FORMALLY COMMITTED TO NATO BUT ARE NOT IN EUROPE.

VARIABLE COSTS OF U.S.-BASED SUPPORT INCLUDING TRAINING, INDIVIDUAL SUPPORT AND LOGISTICS FOR THE ABOVE FORCES.
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PAGE 02 NATO 03818 03 OF 04 142003Z

MILITARY ASSISTANCE FOR EUROPEAN COUNTRIES (INCLUDING GREECE

AND TURKEY) AND THE NATO INFRASTRUCTURE PROGRAM.

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THIS ASSESSMENT LOOKS ONLY AT THE ADDED COST TO THE UNITED STATES OF THOSE FORCES COMMITTED TO NATO WHICH ARE PRESENTLY STATIONED IN EUROPE. IT IS AN INADEQUATE MEASURE OF THE MILITARY STRENGTH OF THE UNITED STATES, WHICH WOULD BE AVAILABLE TO DEFEND THE NATO TREATY AREA AND WHICH IN ITS TOTALITY SERVES TO DETER ANY POTENTIAL AGGRESSOR AND TO MAINTAIN PEACE AND PROSPERITY IN EUROPE. IT FAILS TO TAKE INTO ACCOUNT THE FACT THAT THE NORTHERN ATLANTIC OCEAN AND NORTH AMERICAN DOWN TO THE SOUTHERN BORDERN BORDER OF THE U.S. ARE WITHIN THE NATO TREATY AREA. IT ALSO FAILS TO TAKE INTO ACCOUNT THE FACT THAT, WITH THE END OF U.S. INVOLVEMENT IN WAR IN SOUTHEAST ASIA, THERE IS LITTLE IN OUR DEFENSE FORCES THAT WOULD NOT BE AVAILABLE FOR THE DEFENSE OF EUROPE,IF NEED BE. FURTHER, THE FIGURE OF \$17 BILLION DOES NOT INCLUDE ANY SIGNIFICANT PART OF THE ADDITIONAL MULTIBILLION DOLLARS OF EXPENDITURES ON STRATEGIC FORCES WHICH ARE AN ESSENTIAL ELEMENT IN THE DETERRENT AND IN THE DEFENSE OF THE NATO TREATY AREA AND THE EUROPEAN NATO ALLIES.

THE PRESENT U.S. BURDENSARING INITIATIVE

THERE ARE THREE GENERAL APPROACHES WHICH COULD BE ADOPTED TO BRING ABOUT A MORE EQUITABLE SHARING OF THE BURDEN BETWEEN THE U.S. AND OTHER NATO MEMBERS.

FIRST, THE DEFENSE EFFORTS OF OTHER MEMBERS COULD INCREASE AND THOSE OF THE U.S. REMAIN UNCHANGED. THIS WOULD IMPROVE NATO CAPABILITY AND RESULT IN A GREATER CONTRIBUTION ON THE PART OF OUR PARTNERS VIS-A-VIS THE U.S.

SECOND, THE U.S.'S NATO ALLIES COULD INCREASE THEIR EFFORT

AND THE U.S. REDUCE BY AN EQUAL AMOUNT. THIS SECOND APPROACH WOULD PROVIDE ADJUSTMENTS IN THE BURDEN WHILE LEAVING NATO CAPABILITIES AT THE PRESENT LEVEL.

THIRD, THE CONTRIBUTION OF OUR ALLIES MIGHT BE MAINTAINED
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PAGE 03 NATO 03818 03 OF 04 142003Z

AT CURRENT LEVELS WHILE THE U.S. EFFORT WAS REDUCED. THIS THIRD APPROACH WOULD REQUIRE AN INCREASE IN EFFICIENCY ON THE PART OF ALL ALLIANCE MEMBERS IF NATO STRENGTH IS TO BE MTAINED.

WHAT THE UNITED STATES IS SEEKING IS FURTHER PROGRESS ALONG THE PATH THAT NATO HAS BEEN FOLLOWING. THE GENERAL TREND OF THE PAST TWENTY YEARS, AS I HAVE POINTED OUT, HAS BEEN AN INCREASE OF THE DEFENSE EFFORT OF THE U.S. AND THE EUROPEAN ALLIES, BUT AT DIFFERENT RATES -- A HIGHER RATE FOR EUROPE, THAN FOR THE U.S.

THIS IS A MATTER ON WHICH THE ALLIES MUST MAKE THE DECISIONS AND TAKE APPROPRIATE ACTION. THE UNITED STATES ASKS ITS ALLIES TO DEVISE THE MEANS BEST SUITED TO THEM TO SHARE ON A BILATERAL AND MULTILATERAL BASIS TWO SPECIFIC ECONOMIC BURDENS WHICH RESULT FROM THE STATINING OF ITS FORCES IN EUROPE.

ONE IS THE MILITARY BALANCE OF PAYMENTS DEFICIT ATTRIBUTABLE TO THE PRESENCE OF U.S. FORCES IN NATO EUROPE. THIS CAME TO APPROXIMATELY \$1.5 BILLION IN FY 1972 WITH THE PROBABILITY THAT FINAL FY 1973 FIGURE WILL BE HIGHER.

THE OTHER BURDEN IS THE ROUGHLY \$440 MILLION OF ADDED ANNUAL BUDGETARY COSTS RESULTING FROM THE STATIONING OF FORCES IN EUROPE RATHER THAN IN THE U.S.

ILLUSTRATIVE LIST OF OBVIOUS BURDENSARING AREAS

THERE ARE THREE PRINCIPAL CATEGORIES OF BURDENSARING ACTION WHICH COULD BE TAKEN BY NATO ALLIES. THE FIRST CATEGORY, ESPECIALLY IMPORTANT, WOULD REDUCE BOTH THE US BALANCE OF PAYMENTS DEFICIT AND THE ADDITIONAL US BUDGETARY COST OF STATIONING TROOPS IN EUROPE.

THE SECOND CATEGORY INCLUDES ACTIONS WHICH WOULD REDUCE ONLY THE BALANCE OF PAYMENTS PROBLEM.

A THIRD CATEGORY, LOW INTEREST LOANS, WOULD REDUCE THE BALANCE OF PAYMENTS DEFICIT BUT ONLY ON THE SHORT TERM SINCE SUCH LOANS ULTIMATELY WOULD HAVE TO BE REPAID. THIS APPROACH, WHILE OF SOME VALUE, IS OF LESS BENEFIT THAN CATEGORIES 1 AND 2.
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PAGE 04 NATO 03818 03 OF 04 142003Z

MANY OF THE ACTIONS TAKEN TO REDUCE U.S. BUDGETARY COSTS WOULD NOT INCREASE THE BURDEN ON EUROPEAN COUNTRIES BY AN EQUAL AMOUNT. FOR EXAMPLE, EUROPEAN COUNTRIES COULD PROVIDE CERTAIN TYPES OF LOGISTIC SERVICES AT A LOWER COST THAN THE U.S. IS ABLE TO PROVIDE THEM BECAUSE THEY COULD BE PERFORMED BY THE RESIDENT LOCAL POPULATION WITHOUT NEED TO MOVE DEPENDENTS AND PROVIDE EXPENSIVE OVERSEAS LOGISTIC SERVICES FAR FROM SUPPLY BASES.

CONFIDENTIAL

PAGE 01 NATO 03818 04 OF 04 142019Z

72
ACTION EUR-25

INFO OCT-01 ADP-00 SS-15 H-03 EB-11 CIAE-00 PM-07 INR-10

L-03 NEA-10 NSAE-00 PA-03 RSC-01 PRS-01 USIA-15

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C O N F I D E N T I A L SECTION 4 OF 4 USNATO 3818

POLICY

REF: USNATO 3817

AMONG THE POSSIBLE ACTIONS IN THE FIRST CATEGORY ARE A NUMBER OF THINGS WHICH WOULD NOT ONLY ASSIST IN BOTH BALANCE OF PAYMENTS AND BUDGETARY AREAS, BUT AT THE SAME TIME WOULD REMOVE INFLAMMATORY IRRITANTS, SUCH AS TAXES AND FEES LEVIED AGAINST U.S. FORCES, WHICH HAVE AN ADVERSE EFFECT ON U.S. OPINION FAR AND ABOVE THEIR ECONOMIC MERIT.

I. ACTIONS THAT REDUCE BOTH BALANCE OF PAYMENTS DEFICIT AND BUDGETARY COSTS

1. TO REDUCE U.S. PERCENTAGE SHARE OF NATO BUDGETS.

A. NATO MILITARY BUDGET FOR CY 73 TOTALS ABOUT \$143 MILLION OF WHICH THE U.S. CONTRIBUTION IS SOME 28 PERCENT OR \$40 M PER YEAR.

B. NATO CIVIL BUDGET FOR CY 73 TOTALS ABOUT \$31 MILLION. THE U.S. SHARE IS 24.2 PERCENT OR \$7.5 M PER YEAR.

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PAGE 02 NATO 03818 04 OF 04 142019Z

C. THE INFRASTRUCTURE PROGRAM, WHILE NOT STRICTLY A BUDGET, HAS AMOUNTED TO SOME \$400 M PER YEAR INCLUDING THE EDIP PORTION, THE U.S. SHARE BEING ABOUT 20 PERCENT, OR \$80 M.

2. TO REDUCE THE U.S. SHARE OF THE DEFICIT OF THE CENTRAL EUROPEAN PIPELINE SYSTEM. THE U.S. SHARE IS OVER 36 PERCENT, OR \$2.5 M PER YEAR.

3. TO REPLACE U.S. PERSONNEL AT U.S. OPERATIONAL COMMUNICATIONS FACILITIES WITH HOST NATION PERSONNEL (USNATO 3674).

4. TO EXPAND SCOPE OF NATO INFRASTRUCTURE PROGRAM TO INCLUDE SOME OF THE FACILITIES AND FUNCTIONS LISTED IN PAR. 5 AND 6 BELOW WHICH ARE NOW FINANCED BY THE U.S.

5. TO ASSUME U.S. CAPITAL IMPROVEMENT COSTS, SUCH AS:

A. REHABILITATION OF BARRACKS

B. RENOVATION AND MODERNIZATION OF TROOP OPERATIONAL FACILITIES (MAINTENANCE SHOPS, MOTOR POOLS, ADMINISTRATIVE/ COMMUNICATIONS FACILITIES, ETC.)

C. AMMUNITION STORAGE AND SAFETY PROJECTS

D. PROVIDING FACILITIES AT NATIONAL AIR BASES TO RECEIVE U.S. RAPID REACTION AIRCRAFT

E. CONSTRUCTION OF DEPENDENTS SCHOOLS

F. REHABILITATION OF FAMILY HOUSING AND COMMUNITY SUPPORT FACILITIES.

6. TO ASSUME U.S. RECURRING BUDGETARY COSTS, SUCH AS:

A. LOCAL NATIONAL EMPLOYEE COSTS

B. LOCAL LAND TAXES, VALUE ADDED TAXES, ETC.

C. UTILITIES (ELECTRICITY, SEWAGE, WATER, REFUSE COLLECTION)
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PAGE 03 NATO 03818 04 OF 04 142019Z

D. LONG-HAUL TRANSPORTATION COSTS

E. LANDING FEES AND OTHER AIRPORT CHARGES

F. OPERATION OF MAINTENANCE PLANTS

G. MAINTENANCE OF PREPOSITIONED EQUIPMENT

H. OPERATION OF SUPPLY DEPOTS AND COLD STORAGE SITES

I. RAIL EQUIPMENT MAINTENANCE

J. LABOR AND GUARD SERVICE

K. CONVENTIONAL AMMUNITION HANDLING

L. CORROSION CONTROL ON AIRCRAFT AND GROUND SUPPORT EQUIPMENT

M. BASE TRANSPORTATION FUNCTIONS.

II. ACTIONS THAT REDUCE ONLY BALANCE OF PAYMENTS DEFICIT

1. TO PROCURE MILITARY EQUIPMENT IN THE UNITED STATES (WHICH WOULD ALSO CONTRIBUTE TO GREATER STANDARDIZATION OF EQUIPMENT).

2. TO CONTRACT FOR RESEARCH AND DEVELOPMENT IN THE

UNITED STATES.

3. TO CONTRACT FOR TRAINING OF PERSONNEL OF ALLIED NATIONS
IN U.S. IN CERTAIN FIELDS OF MILITARY SPECIALIZATION.

4. TO ESTABLISH NATO MULTILATERAL MILITARY BALANCE
OF PAYMENTS SETTLEMENT FUND.

III. ACTIONS THAT REDUCE BALANCE OF PAYMENTS DEFICIT IN
SHORT TERM ONLY

LOW INTEREST LOANS.

REDUCTION OF IRRITANTS
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PAGE 04 NATO 03818 04 OF 04 142019Z

IN THE PROCESS OF REDUCING THE BURDEN INCURRED BY THE

U.S. AS A RESULT OF MAINTAINING FORCES IN EUROPE, NATO
COUNTRIES COULD ELIMINATE CERTAIN IRRITANTS THAT HAVE AN
ADVERSE POLITICAL EFFECT FAR BEYOND THEIR ECONOMIC SIGNIFICANCE.
THE FOLLOWING IRRITANTS COULD BE ELIMINATED WITH VERY
LITTLE ADDITIONAL EXPENSE TO ALLIED COUNTRIES:

1. LAND TAXES, VALUE ADDED TAXES, OTHER TYPE OF FEES AND
TAXES LEVIED AGAINST U.S. FORCES.
2. AIRPORT LANDING FEES LEVIED AGAINST U.S. MILITARY AIRCRAFT.
3. LOCAL CUSTOMS TAXES IN CONNECTION WITH U.S.
CONTRACTOR PARTICIPATION IN NATO INFRASTRUCTURE PROGRAMS.

CONCLUSION:

IN VIEW OF THE GREATLY INCREASED PROSPERITY OF THE MEMBER
COUNTRIES OF NATO, EQUITY REQUIRES A READJUSTMENT OF THE
BURDENS OF THE ALLIANCE TO MEET THE CHANGED ECONOMIC
CIRCUMSTANCES. PREFERABLY, THE PERCENTAGE OF NATO SECURITY
COST CARRIED BY THE U.S. SHOULD BE REDUCED WITHOUT DECREASING
THE COMBAT CAPABILITY OF THE ALLIANCE. THIS CAN BE ACHIEVED
IF OTHER MEMBERS OF THE ALLIANCE WILL UNDERTAKE ADDITIONAL TASKS
WHICH WILL AFFECT THE U.S. BUDGETARY COSTS DUE TO THE
STATIONING OF FORCES IN EUROPE AND THE DEFICIT IN THE US
MILITARY BALANCE OF PAYMENTS ASSOCIATED WITH NATO.

THIS COULD BE ACCOMPLISHED WITH RATHER MINOR PERCENTAGE
ADJUSTMENTS IN THE BUDGETS OF THE OTHER MEMBERS OF THE
ALLIANCE. IN MANY CASES THESE INCREASES WOULD BE FAR LESS
THAN THE CORRESPONDING DECREASE IN U.S. BUDGETARY COST.
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Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: USNATO 3817
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2001 by kelleyw0>; APPROVED <21-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED STATEMENT ON BURDENSARING
TAGS: MCAP, NATO
To: STATE
SECDEF
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005